

Message Text

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ACTION NEA-09

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC IMMEDIATE 8151

INFO AMCONSUL BOMBAY IMMEDIATE

AMCONSUL CALCUTTA IMMEDIATE

AMCONSUL MADRAS IMMEDIATE

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UNCLAS SECTION 1 OF 5 NEW DELHI 5125

E.O. 11652: N/A

TAGS: OVIP (SIMON, WILLIAM E.)

SUBJECT: TEXT OF SECRETARY SIMON'S BOMBAY SPEECH

1. THE TEXT OF THE SPEECH WHICH SECRETARY SIMON INTENDS
TO DELIVER IN THE EVENING OF APRIL 18 IN BOMBAY FOLLOWS.
PLEASE DO NOT RELEASE TEXT UNTIL SO ADVISED.

2. BEGIN TEXT:

A VISIT TO INDIA IS A RARE EXPERIENCE FOR MOST AMERICANS, AND
THE OPPORTUNITY TO ADDRESS A DISTINGUISHED AUDIENCE OF INDIAN
AND AMERICAN BUSINESSMEN IS RARER STILL. SO AS I COME
BEFORE YOU TONIGHT, I AM DEEPLY GRATEFUL TO YOU AND TO THE
INDIAN GOVERNMENT FOR THE KIND INVITATIONS THAT BRING ME
TO THIS PODIUM.

IT IS ALSO MY PLEASURE TO BRING YOU THE GREETINGS OF THE
PRESIDENT OF THE UNITED STATES. BEFORE I LEFT WASHINGTON,
PRESIDENT FORD ASKED THAT IN MY TRAVELS HERE I EXTEND HIS WARMEST
PERSONAL REGARDS AND CONVEY TO
YOU HIS HOPE THAT DURING HIS PRESIDENCY WE MAY STRENGTHEN
THE BONDS OF FRIENDSHIP BETWEEN OUR TWO NATIONS.
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THIS IS MY FIRST VISIT TO INDIA. DURING THE SIX DAYS THAT I SHALL BE HERE--TRAVELING TO NEW DELHI, AGRA, BOMBAY AND MADRAS--I OBVIOUSLY CAN SEE ONLY A SMALL PART OF YOUR VAST AND DIVERSE COUNTRY. YET THROUGH FIRST HAND OBSERVATION, I HOPE IT WILL BE POSSIBLE FOR ME TO GAIN A BETTER KNOWLEDGE OF THE PROBLEMS YOU FACE AS A DEVELOPING COUNTRY.

MY CHIEF PURPOSE IN COMING HERE IS TO FIND ANSWERS TO A SINGLE QUESTION: HOW CAN OUR COUNTRIES COOPERATE MORE CLOSELY SO THAT EACH OF US CAN BENEFIT? THE UNITED STATES IS VERY INTERESTED IN FINDING WAYS THAT WE CAN HELP YOU TO HELP YOURSELVES, BUT WE ARE NOT UNAWARE THAT IN THE PROCESS WE WILL ALSO BE HELPING OURSELVES. THE BENEFITS OF COOPERATION CAN AND DO RUN BOTH WAYS. THIS APPROACH, I BELIEVE, IS ENTIRELY FITTING FOR TWO GREAT NATIONS WHO RESPECT EACH OTHER AND ALSO RESPECT THEMSELVES. IT IS OUR BELIEF THAT IN SEEKING MUTUAL GAINS, BOTH THE UNITED STATES AND INDIA HAVE FAR MORE TO GAIN FROM A PATTERN OF CLOSER FRIENDSHIP AND COOPERATION THAN FROM A RELATIONSHIP CHARACTERIZED BY SUSPICION AND DISTRUST.

MUCH HAS BEEN SAID IN THE PAST ABOUT THE DIFFERENCES BETWEEN US--THE ISSUES THAT DRIVE US APART AND TEND TO PLANT THE SEEDS OF DISCORD. THOSE ITEMS ARE SO FAMILIAR THAT THEY BEAR NO RECITATION TONIGHT.

WHAT I WOULD LIKE TO ADDRESS INSTEAD ARE SOME AREAS IN WHICH WE SHARE A COMMON INTEREST-- THE ISSUES WHICH SHOULD PULL US TOGETHER AND GIVE US A COMMON BOND. TOO OFTEN THAT WHICH UNITES US HAS BEEN OBSCURED BY THAT WHICH DIVIDES. BY RECOGNIZING MORE CLEARLY THE ISSUES IN WHICH WE SHARE A COMMON INTEREST, WE CAN FIND THE BEST MEANS OF BUILDING A SOUND, CONSTRUCTIVE RELATIONSHIP.

THE CHALLENGE OF EXPANDING TRADE

A CENTRAL ISSUE IN WHICH INDIA AND THE UNITED STATES SHARE A COMMON INTERESTIS IN EXPANDING TRADE BETWEEN OUR TWO NATIONS. I KNOW THIS MATTER IS OF PARTICULAR IMPORTANCE HERE IN BOMBAY, THE TRADITIONAL GATEWAY, TO INDIA FOR FOREIGN COMMERCE.
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FROM 1971 TO 1973, INDIAN EXPORTS TO THE UNITED STATES WERE ABOUT DOLS 400 MILLION, OR ABOUT 15 PERCENT OF TOTAL INDIAN EXPORTS. DURING THE SAME TIME, INDIAS IMPORTS FROM THE UNITED STATES WERE ABOUT DOLS 500 MILLION, ABOUT 18PERCENT OF INDIAS TOTAL IMPORTS. THUS, TO HIGHLIGHT THE OBVIOUS, THE UNITED STATES IS THE MOST IMPORTANT TRADING PARTNER FOR INDIA, EVEN WHEN EXCLUDING THE SUBSTANTIAL SHIPMENTS OF GRAIN THAT OCCURRED IN THE MID -

1960S AND AGAIN IN THE 1974-75 PERIOD.
FOR THE UNITED STATES, HOWEVER, INDIA WAS NOT A MAJOR TRADING
PARTNER, EVEN WHEN COMPARED
WITH OTHER DEVELOPING COUNTRIES. TO PROVIDE SOME PERSPECTIVE,
TAIWAN, WITH A POPULATION OF 15 MILLION PEOPLE AND A GNP OF JUST
OVER DOLS 9 BILLION (ONE EIGHTH THE SIZE OF INDIAS GNP),
EXPORTED MORE THAN DOLS 4 BILLION OF WHICH DOLS 1.7 BILLION WENT
TO THE UNITED STATES. IN THE SAME
YEAR TAIWAN IMPORTED GOODS TOTALLING DOLS 4 BILLION, INCLUDING
DOLS 950 MILLION FROM THE UNITED STATES. SINGAPORE, WITH A
POPULATION OF ONLY 2.1 MILLION PEOPLE AND A GNP OF AROUND DOLS
1.5 BILLION, EXPORTED DOLS 613 MILLION OF ITS PRODUCTS TO THE
US AND IMPORTED DOLS 765 MILLION WORTH FROM THE US. THUS, TOTAL
US TRADE WITH TAIWAN WAS MORE THAN FIVE TIMES THE AMOUNT OF OUR
TRADE WITH INDIA, WHILE AMERICAN TRADE WITH SINGAPORE WAS MORE
THAN DOUBLE OUR TRADE WITH INDIA.

SURELY THERE IS VAST ROOM FOR AN INCREASE IN THE TRADE BETWEEN
OUR TWO COUNTRIES WHICH WOULD BE MUTUALLY BENEFICIAL.SAXBE

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FOR INDIA, EVEN A RELATIVELY SMALL INCREASE IN ITS SHARE OF THE US
MARKET WOULD BE SUBSTANTIAL IN ABSOLUTE TERMS. IF FOR EXAMPLE,
INDIAS SHARE OF US IMPORTS INCREASED BY AS LITTLE AS FOUR-TENTHS
OF ONE PERCENT, THIS WOULD MEAN AN INCREASE IN INDIAN EXPORTS
OF APPROXIMATELY DOLS 400 MILLION. THIS SUM WOULD BE MORE THAN

THE TOTAL DEBT RELIEF INDIA RECEIVED LAST YEAR FROM THE AID-TO-INDIA CONSORTIUM, AND IT COULD BE REPEATED AND INCREASED EVERY YEAR.

GIVEN THE NEED, THE DESIRABILITY AND THE POTENTIAL FOR INCREASING TRADE BETWEEN OUR COUNTRIES, WE MUST ASK OURSELVES HOW THAT GOAL MAY BE ACHIEVED. ONE PART OF THE ANSWER, I WOULD SUGGEST IS THE SAME ANSWER THAT I CARRIED TO THE SOVIET UNION WHERE I JUST COMPLETED A FIVE DAY VISIT: IN ORDER GMDJND# COMMERCE,

AS THE UNITED STATES WISHES TO DO WITH INDIA, WITH THE SOVIET UNION, AND WITH ALL OTHER NATIONS, WE SHOULD WORK TO LOWER THE MANY BARRIERS WHICH NOW CLOG OUR TRADING LANES.

LET ME ASSURE YOU THAT THE UNITED STATES WILL NOT SEEK TO RESTRICT YOUR ACCESS TO OUR MARKETS. WITH PERHAPS THE NOTABLE EXCEPTION OF OUR SUGAR POLICY, WHICH FOR MANY YEARS GRANTED PREFERENCES TO OUR OWN HEMISPHERE, WE HAVE TRIED TO AVOID DISCRIMINATION AGAINST OR AMONG DEVELOPING COUNTRIES. INDEED UNCLASSIFIED

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IN THE TRADE ACT OF 1974, WHICH PRESIDENT FORD SIGNED EARLY THIS YEAR, THE UNITED STATES HAS MOVED TOWARD PREFERENTIAL TREATMENT FOR DEVELOPING COUNTRIES BY ENABLING THE PRESIDENT TO PROVIDE THOSE NATIONS WITH DUTY FREE TREATMENT FOR THEIR ELIGIBLE EXPORTS. THE PRESIDENT HAS ALREADY IDENTIFIED INDIA AS A PROSPECTIVE BENEFICIARY.

WHILE THIS TRADE MEASURE WILL PROVIDE PREFERENTIAL ACCESS TO US MARKETS FOR DEVELOPING COUNTRIES, I SHOULD POINT OUT THAT IT WILL NOT PROVIDE AN ADVANTAGE FOR ANY SINGLE LESS DEVELOPED COUNTRY IN COMPETITION WITH OTHER LESS DEVELOPED COUNTRIES, IN SHORT OUR TRADE PREFERENCES WILL PROVIDE AN OPPORTUNITY FOR ALL DEVELOPING COUNTRIES TO EXPAND THEIR EXPORTS TO THE UNITED STATES BUT THEY WILL NOT AUTOMATICALLY GUARANTEE A SHARE TO ANY PARTICULAR EXPORTING COUNTRY.

TO LOOK AT THE OTHER SIDE OF OUR TRADE FOR A MOMENT, IT IS NO SECRET TO ANYONE IN THIS AUDIENCE THAT AMERICAN BUSINESSMEN TRYING TO SELL THEIR PRODUCTS HERE IN INDIA OFTEN REPORT A SENSE OF FRUSTRATION AND DISCOURAGEMENT. IN SEEKING WAYS TO BOLSTER THE TIES BETWEEN UNITED STATES AND INDIA, THE SOURCES OF THOSE FRUSTRATIONS MUST INEVITABLY BE ONE OF THE SUBJECTS THAT WE ADDRESS.

ONE OF THE FORUMS IN WHICH WE ARE HOPEFUL THAT PROGRESS CAN BE MADE ON ECONOMIC COOPERATION IS THE INDO-US JOINT COMMISSION. THAT COMMISSION WAS ESTABLISHED LAST OCTOBER DURING SECRETARY KISSINGER'S TRIP TO NEW DELHI. AS YOU KNOW, ONE OF THE THREE SUBCOMMISSIONS SET UP UNDER THAT UMBRELLA IS THE ECONOMIC AND

COMMERCIAL SUBCOMMISSION WHICH HELD ITS FIRST MEETING IN
WASHINGTON IN JANUARY.

WITH THE HELP OF THE FEDERATION OF THE INDIAN CHAMBER OF COMMERCE
AND INDUSTRY AS WELL AS THE UNITED STATES CHAMBER OF COMMERCE
A JOINT BUSINESS COUNCIL IS NOW BEING FORMED IN ORDER TO
IMPROVE TIES BETWEEN THE TWO BUSINESS COMMUNITIES. THE FIRST
MEETING OF THE COUNCIL IS TENTATIVELY SCHEDULED FOR LATE THIS
YEAR. OTHER ACTIVITIES TAKING PLACE UNDER THE LEADERSHIP OF
THE INDO-US JOINT COMMISSION ARE THE FORMATION OF A JOINT
WORKING GROUP ON AGRICULTURAL INPUTS, NEGOTIATIONS ON A TAX
TREATY, AND THE PROMOTION OF TRADE MISSIONS. WE ARE LOOKING
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FORWARD TO THE VISIT TO WASHINGTON OF AN INDIAN EXPORT PROMOTION
COUNCIL TRADE MISSION TO EXPLORE POSSIBILITIES OF SELLING
INDIAN ENGINEERING PRODUCTS IN AMERICAN MARKETS. ALL OF THESE
ARE POSITIVE STEPS FORWARD.

AT THE FEBRUARY MEETING OF THE ECONOMIC AND COMMERCIAL
SUBCOMMISSION, WE WERE ADVISED THAT THE GOVERNMENT OF INDIA
CONSIDERS FOREIGN INVESTMENT AN IMPORTANT MECHANISM FOR ACQUIRING
NEEDED INDUSTRIAL TECHNOLOGY AND FOR EXPANDING HIGH TECHNOLOGY
EXPORTS. WE AGREE. YET BOTH OF US MUST FACE THE FACT THAT
OVER THE YEARS AMERICAN (AND OTHER FOREIGN)
FIRMS HAVE NOT EAGERLY SOUGHT TO INVEST THEIR FUNDS IN INDIA.
US INVESTMENTS IN DEVELOPING COUNTRIES AROUND THE WORLD NOW
TOTAL SOME DOLS 25 BILLION. OF THAT AMOUNT, US
INVESTMENTS IN INDIA HAVE A BOOK VALUE OF ONLY DOLS 325 MILLION--
LESS THAN 2 PERCENT OF THE TOTAL.

WITHIN THE CONTEXT OF THE JOINT COMMISSION WE ARE EAGER TO WORK
WITH YOU IN FINDING WAYS TO IMPROVE THE INVESTMENT PICTURE.
THE UNITED STATES GOVERNMENT CAN OFFER "GOOD OFFICES" FOR
SPECIFIC PROPOSALS AND CAN HELP TO ESTABLISH A LIAISON WITH
PRIVATE INVESTORS IN THE UNITED STATES. I MUST EMPHASIZE,
HOWEVER, THAT MY GOVERNMENT DOES NOT PLAY A MAJOR DIRECT
ROLE IN THE TRANSFER OF INDUSTRIAL TECHNOLOGY TO INDIA.
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NOTE BY OC/T: NEW DELHI 5125(#)AS RECEIVED. CORRECTION TO FOLLOW.

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DEPT OF TREASURY IMMEDIATE

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TECHNOLOGY IS THE PROPERTY OF PRIVATE US FIRMS AND AS SUCH IT MUST BE ENTICED TO COME TO INDIA THROUGH YOUR EFFORTS TO CREATE A FAVORABLE CLIMATE FOR INVESTMENT. OUR GOVERNMENT IS PREPARED TO DISCUSS WITH YOU OUR OWN IDEAS ABOUT THE WAY THAT CLIMATE COULD BE IMPROVED, BUT THE BASIC DECISIONS ON WHAT SHOULD BE DONE REMAIN, OF COURSE, IN YOUR HANDS.

TO SUMMARIZE, THE UNITED STATES GOVERNMENT WOULD LIKE TO WORK WITH YOU IN A JOINT, COOPERATIVE EFFORT TO REMOVE AS MANY TRADE IMPEDIMENTS AS POSSIBLE. WE BELIEVE THAT THE EXPANSION OF TRADE WHICH SHOULD RESULT WOULD PROVIDE ECONOMIC BENEFITS TO EACH OF US AND AT THE SAME TIME WOULD ALSO HELP TO DEEPEN AND STRENGTHEN OUR FRIENDSHIP.

MEETING THE ENERGY CHALLENGE

A SECOND INTEREST WHICH WE SHARE TOGETHER IS TO OVERCOME THE CHALLENGE POSED BY QUADRUPLING OF INTERNATIONAL OIL PRICES IN THE PAST YEAR AND A HALF. LAST YEAR THE UNITED STATES PAID OUT DAK KDI INOYDII (#)
OIL -- MORE THAN EIGHT TIMES WHAT WE WERE PAYING 1970. HERE IN INDIA, THE COSTS OF FOREIGN OIL LAST YEAR WERE DOUBLE THEIR LEVEL OF A YEAR EARLIER, AND YOU UNCLASSIFIED

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WERE FORCED TO PLACE MORE SEVERE IMPORTATION LIMITS ON A PRODUCT THAT IS VITALLY NEEDED FOR YOUR INDUSTRIES. WHILE OUR OIL BILLS ARE DIFFERENT IN SIZE, IT IS CLEAR THAT NEITHER OF US

CAN LONG TOLERATE A HEAVY DEPENDENCE UPON FOREIGN OIL THAT IS SO HIGHLY PRICED.

IN BOTH OF OUR COUNTRIES THE HIGH COST OF OIL HAS ALSO HAD A MAJOR IMPACT UPON THE COST OF FERTILIZER. IN THE UNITED STATES THE HIGHER COST OF FERTILIZER HAS DRIVEN UP FARM COSTS AND, IN TURN, CONSUMERS HAVE BEEN FORCED TO PAY A HIGHER PRICE FOR FOOD. IN INDIA, WE RECOGNIZE THAT THE AVAILABILITY AND COST OF FERTILIZER IS VIRTUALLY A MATTER OF LIFE AND DEATH BECAUSE THE NEED FOR INCREASED FOOD PRODUCTION IS SO VITAL TO FEEDING THE INDIAN POPULATION. WE HAVE ACTIVELY ENCOURAGED THE WORLD BANK TO ASSIST THE EXPANSION OF THE INDIAN FERTILIZER INDUSTRY, AND SEVERAL MAJOR LOANS FOR THAT PURPOSE HAVE BEEN MADE DURING THE PAST YEAR.

THE ADJUSTMENT TO HIGHER ENERGY PRICES HAS BEEN EASED BY BORROWING, BUT WE RECOGNIZE THAT SUCH BORROWING IS NOT A COMPLETE ANSWER. IT WILL HELP YOU COPE WITH PROBLEMS TODAY, BUT THE PROBLEMS THEMSELVES WILL STILL BE THERE TOMORROW. IN THE UNITED STATES, WE BELIEVE THAT THE ULTIMATE SOLUTION LIES IN A TWO-PRONGED EFFORT BY CONSUMER NATIONS: AN AMBITIOUS PROGRAM OF ENERGY CONSERVATION AND A MAJOR EFFORT TO BECOME MORE SELF SUFFICIENT IN ENERGY.

IN MIGHT POINT OUT THAT THE COUNTRIES THAT HAVE BEEN MOST SUCCESSFUL AT CONSERVING ENERGY ARE THOSE THAT HAVE ALLOWED THE FREE MARKET TO DO ITS JOB. GERMANY, FOR EXAMPLE, BY RELYING UPON THE PRICE MECHANISM, CUT ITS OIL CONSUMPTION BY ABOUT 10 PER-CENT LASTYEAR. MEANWHILE, THE UNITED STATES, DEPENDING LARGELY ON NON-PRICE APPROACHES, REDUCED CONSUMPTION BY ONLY 3 PERCENT. THE ADMINISTRATION NOW HAS LEGISLATION PENDING IN OUR CONGRESS WHICH WOULD USE THE PRICE MECHANISM AS A MEANS OF ENCOURAGING FURTHER CONSERVATION. OF COURSE, NO ONE RELISHES THE PROSPECT OF HIGHER PRICES FOR OIL OR ANYTHING ELSE, BUT ATTEMPTS TO AVOID OR SUPPRESS THE ECONOMIC REALITIES REFLECTED IN THE MARKET PLACE MERELY POSTPONE THE INEVITABLE. EVEN WORSE, SUCH ATTEMPTS USUALLY MAKE THE ADJUSTMENT PROCESS MORE DIFFICULT.

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THE PRESENT OIL CARTEL, LIKE ALL OTHER CARTELS IN THE PAST, IS SUBJECT TO THE LAWS OF SUPPLY AND DEMAND. WHEN DEMAND FALLS, THE CARTEL HAS NO CHOICE BUT TO LOWER ITS PRICE OR TO REDUCE ITS PRODUCTION. AS WORLDWIDE CONSUMPTION HAS BEEN REDUCED IN RECENT MONTHS THROUGH CONSERVATION AND THROUGH THE EFFECTS OF WORLDWIDE RECESSION, WE ARE ALREADY SEEING THIS PROCESS AT WORK. OPEC HAS NOW SHUT IN A THIRD OF ITS CAPACITY -- OVER 12 MILLION BARRELS A DAY -- IN ORDER TO HOLD THE LINE OF PRICES. WITHIN A MATTER OF MONTHS, OPEC'S SHUT-IN CAPACITY MAY RISE TO 15-16 MILLION BARRELS A DAY. FURTHERMORE, DURING THE LAST THREE YEARS,

SIGNIFICANT DISCOVERIES OF OIL HAVE BEEN MADE IN SOME 25-30 AREAS OF THE WORLD OUTSIDE OF OPEC -- UNCOVERING RESERVES ESTIMATED AT ROUGHLY 35 BARRELS. THESE NEW FIELDS COULD PRODUCE SOME 8 MILLION ADDITIONAL BARRELS A DAY BY THE LATE 1970S, AND THIS DOES NOT INCLUDE NEW PRODUCTION COMING FROM THE U.S., THE SOVIET UNION, AND THE PEOPLE'S REPUBLIC OF CHINA.

INDIA IS ONE OF THE COUNTRIES WHICH HAS GREATLY INTENSIFIED ITS OIL EXPLORATION AND HAS ALREADY FOUND CONSIDERABLE ADDITIONAL RESOURCES, ALTHOUGH THERE IS STILL MUCH POTENTIAL FOR FURTHER EXPLORATION. YOUR RECENT PROGRESS IN LOCATING OIL ON THE BOMBAY HIGH IS A GOOD EXAMPLE OF SUCCESSFUL INDIAN COOPERATION WITH THE AMERICAN PRIVATE SECTOR IN DEVELOPING YOUR ENERGY POTENTIAL.

AS THE PRESSURES OF CONSERVATION AND DEVELOPMENT HAVE BUILT UP, SOME OF THE MEMBERS OF THE CARTEL HAVE BEGUN SHAVING PRICES, AND WE HAVE SEEN THE FIRST CRACKS IN WHAT MANY ERRONEOUSLY CLAIMED WAS AN IMPREGNABLE PRICE WALL. I HAVE SAID MANY TIMES BEFORE, AND I BELIEVE EVEN MORE STRONGLY NOW THAT IT IS NO LONGER A QUESTION OF WHETHER OIL PRICES WILL COME DOWN BUT WHEN THEY WILL COME DOWN.

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ACTION NEA-09

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NONETHELESS, NEITHER WE NOR OTHER CONSUMER NATIONS SUCH AS INDIA

CAN AFFORD TO SIT IDLY BY, WAITING FOR A CHANGE IN PRICE. WE MUST ALL TAKE AFFIRMATIVE ACTION BOTH TO CONSERVE AND TO DEVELOP ALTERNATIVE ENERGY SOURCES.

ONE ALTERNATIVE SOURCE THAT BOTH OF US HAVE IN ABUNDANCE IS COAL. I AM TOLD THAT INDIAN COAL RESERVES ARE CLOSE TO 90 BILLION TONS, WHICH IS ABOUT 1,000 TIMES CURRENT ANNUAL PRODUCTION. IDENTIFIABLE COAL RESERVES IN THE UNITED STATES ARE 1 TRILLION, 500 MILLION TONS, COMPARED TO AN OUTPOUT LAST YEAR OF 600 MILLION TONS.

THE DRAMATIC INCREASE IN THE PRICE OF OIL MAKES IT VITAL THAT BOTH OF OUR COUNTRIES STEP UP THE DEVELOPMENT AND USE OF THIS ALTERNATIVE FUEL. THE PRICE INCENTIVES PROVIDED US BY TODAY'S MARKET CERTAINLY ENCOURAGE THE RAPID EXPANSION OF COAL PRODUCTION, AND IN THE UNITED STATES THAT PROCESS IS ALREADY UNDERWAY. WE BELIEVE THERE IS ALSO POTENTIAL FOR COOPERATIVE EFFORTS BY OUR TWO COUNTRIES IN DEVELOPING THIS RESOURCE.

DEVELOPMENT ASSISTANCE

AS I HAVE NOTED, THE UNITED STATES BELIEVES THAT OUR OWN COUNTRY
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BENEFITS WHEN NATIONS SUCH AS INDIAN ARE ABLE TO IMPROVE THE LIVING CONDITIONS OF THEIR PEOPLE. SUCH DEVELOPMENT EXPANDS POTENTIAL MARKETS FOR US AND GENERALLY CONTRIBUTES TO A HIGHER STANDARD OF LIVING AROUND THE WORLD.

MOREOVER, EVEN THOUGH FEW OF US HAVE EVER HAD THE PRIVILEGE OF VISITING INDIA, AMERICANS ARE NOT BLIND TO THE ECONOMIC PROBLEMS WHICH AFFECT MANY OF THE PEOPLE IN THIS COUNTRY. NOTHING WOULD PLEASE US MORE THAN TO SEE YOUR NATION OVERCOME THESE PROBLEMS AND TO BELIEVE THAT WE HAVE PLAYED A HELPFUL ROLE IN THE PROCESS. AMERICANS BELIEVE NOW, AS THEY HAVE IN THE PAST, THAT ALL OF THE PEOPLE ON THIS PLANET SHOULD HAVE ACCESS TO ADEQUATE DIETS AND AT LEAST MINIMAL HEALTH AND EDUCATIONAL FACILITIES.

SINCE THE END OF WORLD WAR II, OFFICIAL DEVELOPMENT ASSISTANCE TO INDIA FROM THE UNITED STATES HAS TOTLED DOLS 9 BILLION IN CONCESSIONAL LOANS AND GRANTS, QUITE APART FROM OUR ASSISTANCE WHICH WAS CHANNELLED THROUGH INTERNATIONAL AGENCIES. INDIA HAS BEEN THE LARGEST SINGLE RECIPIENT OF BILATERAL AID FROM THE UNITED STATES--AND FAR MORE THAN HALF OF ALL BILATERAL FOREIGN AID RECEIVED BY INDIA SINCE INDEPENDENCE HAS ORIGINATED IN THE UNITES SSTATES.

I HAVE THE IMPRESSION, HOWEVER, THAT SOME PEOPLE FEEL ASSIS-

TANCE BY THE UNITED STATES IS A MATTER OF THE DISTANT PAST. IN FACT, DURING 1975 THE UNITED STATES WILL AGAIN BE THE LARGEST SOURCE OF BILATERAL ASSISTANCE FOR INDIA, CONTRIBUTING OVER A QUARTER OF A BILLION DOLLARS.

MISUNDERSTANDINGS ABOUT THE LEVEL OF U.S. AID MAY STEM IN PART FROM THE FACT THAT IN RECENT YEARS, THE BULK OF OUR ASSISTANCE TO INDIA HAS BEEN CHANNELED THROUGH INTERNATIONAL INSTITUTIONS, ESPECIALLY THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND. INDIA HAS RECEIVED DOLS 3 BILLION IN CREDITS FROM THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)--A PART OF THE WORLD BANK FAMILY. THIS OVER 40 PERCENT OF IDA'S LENDING. AND, I MIGHT ADD, THE UNITED STATES HAS PROVIDED OVER ONE-THIRD OF ALL OF IDA'S FUNDS. IN JANUARY OF THIS YEAR, DURING THE MEETING OF THE DEVELOPMENT COMMITTEE, I DELIVERED TO THE WORLD BANK OUR UNDERTAKING TO PROVIDE AN ADDITIONAL DOLS 1.5 BILLION TO IDA.

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AS PART OF THE INTERNATIONAL EFFORT TO EASE THE STRAIN OF HIGHER OIL PRICES FOR DEVELOPING COUNTRIES, INDIA LAST YEAR WAS ALSO A MAJOR BENEFICIARY OF THE IMF OIL FACILITY, A PROGRAM THAT WE HELPED TO ESTABLISH. UNDER THAT PROGRAM, THE IMF BORROWS LARGELY ON THE BASIS OF GUARANTEES PROVIDED TO IT BY THE UNITED STATES AND OTHER INDUSTRIALIZED COUNTRIES. IN OUR VIEW, THE EMERGENCY FUND SHOULD BE PHASED OUT THIS YEAR. WE ALSO BELIEVE, HOWEVER, THAT THE IMF SHOULD BE EQUIPPED TO PROVIDE EVEN MORE RESOURCES IN FUTURE YEARS IF THEY ARE NEEDED BY MEMBER NATIONS. WE HAVE REACHED AGREEMENT IN PRINCIPLE ON A ONE-THIRD INCREASE IN IMF QUOTAS, AND NEGOTIATIONS ARE WELL ADVANCED TOWARD MAKING IMF RESOURCES MUCH MORE FULLY USEABLE.

IN ADDITION, THE UNITED STATES HAS PROPOSED A SPECIAL TRUST FUND TO BE ADMINISTERED BY THE IMF TO ASSIST THOSE DEVELOPING NATIONS WHICH MAY CONTINUE TO FACE REDUCED GROWTH RATES BECAUSE OF INCREASES IN THE PRICES OF ENERGY AND OTHER PRODUCTS. FUNDS FOR THIS PURPOSE WOULD BE RAISED IN PART BY SALE OF SOME OF THE GOLD NOW SITTING IDLE IN THE IMF. INDIA MIGHT WELL BE THE LARGEST BENEFICIARY OF HIGHLY CONCESSIONAL LOANS FROM THIS TRUST FUND, IF THERE IS INTERNATIONAL AGREEMENT TO ESTABLISH IT.

STILL ANOTHER VEHICLE FOR EASING THE ADJUSTMENT TO HIGHER OIL PRICES SHOULD BE THE DEVELOPMENT COMMITTEE RECENTLY SET UP UNDER THE AEGIS OF THE INTERNATIONAL MONETARY FUND AND THE WORLD BANK. THAT COMMITTEE WAS DESIGNED TO ADDRESS ALL OF THE PROBLEMS OF THE DEVELOPING NATIONS, BUT IN ITS FIRST MEETING LAST OCTOBER, IT DECIDED TO GIVE HIGHEST PRIORITY TO THEIR PROBLEMS RELATING TO ENERGY. THAT DEVELOPMENT COMMITTEE WILL MEET AGAIN THIS JUNE TO CONSIDER THAT NATURE AND DIMENSIONS OF SUCH ECONOMIC STRAINS. BY COMING HERE TO INDIA, I HOPE THAT I WILL BE BETTER

PREPARED TO FULFILL MY RESPONSIBILITIES AS HEAD OF THE U.S.
DELEGATION TO THAT JUNE MEETING.

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AMCONSUL MADRAS IMMEDIATE
DEPT OF TREASURY IMMEDIATE

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I MIGHT NOTE THAT WITHIN THE DEVELOPMENT COMMITTEE, FINANCE
MINISTER SUBRAMANIAM, WILL WHOM I HAVE BEEN MEETING IN NEW DELHI
THIS WEEK, REPRESENTS INDIA AS WELL AS SEVERAL OF YOUR NEIGHBORS.
MY MEETINGS WITH THE MINISTER HAVE BEEN HIGHLY FRUITFUL, AND
I LOOK FORWARD TO WORKING CLOSELY WITH HIM ON ENERGY AS WELL AS
OTHER CRITICAL MATTERS.

IN SHORT, I HOPE THAT IT IS CLEAR TO ALL OF YOU IN THIS AUDIENCE
TONIGHT THAT THE UNITED STATES IS CONTINUING TO BE AN ACTIVE
PARTNER IN PROVIDING ECONOMIC ASSISTANCE TO DEVELOPING COUNTRIES.

BUT LET US NOT MISLEAD EACH OTHER. IN THE FINAL ANALYSIS,
FOREIGN ASSISTANCE CAN MAKE ONLY A MARGINAL CONTRIBUTION TO
ECONOMIC DEVELOPMENT. THE ULTIMATE SUCCESS WILL DEPEND UPON THE
ENERGY AND INITIATIVE OF EACH NATION'S OWN PEOPLE AND THE WISDOM
SHOWN BY GOVERNMENTS IN FREEING THOSE ENERGIES FOR FULL REAL-
IZATION OF THEIR CREATIVE POTENTIAL. IN OUR VIEW, THERE CAN BE
NO DOUBT THAT A FREE AND GROWING INTERNATIONAL MARKET ECONOMY
OFFERS A POWERFUL VEHICLE BY WHICH THE ENERGIES OF THE PEOPLE
IN ALL NATIONS CAN BE MOBILIZED.

MAINTAINING PEACE AND FREEDOM

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A FOURTH CAUSE WHICH BINDS OUR NATIONS TOGETHER -- AND THE LAST ONE THAT I SHALL ADDRESS TONIGHT--IS OUR MUTUAL AND LASTING INTEREST IN PRESERVING PEACE AND FREEDOM.

BOTH OF OUR COUNTRIES WERE BORN IN A STRUGGLE FOR INDEPENDENCE. BOTH OF US HAVE KNOWN THE YOKE OF FOREIGN RULE. AND BOTH OF US ARE COMMITTED TO THE PROPOSITION THAT ONLY BY MAINTAINING OUR INDEPENDENCE AND FREEDOM CAN WE FULFILL OUR DREAMS FOR THE FUTURE.

IN THE LAST FIVE YEARS, WE BELIEVE THAT CONSIDERABLE PROGRESS HAS BEEN MADE TOWARD BUILDING A STRUCTURE OF PEACE IN WHICH

THAT FREEDOM CAN SURVIVE. THE TWO MOST POWERFUL NATIONS IN THE WORLD, THE UNITED STATES AND SOVIET UNION, ARE BOTH FIRMLY COMMITTED TO A POLICY OF DETENTE. BEFORE COMING TO INDIA, I VISITED THE SOVIET UNION WHERE I MET WITH GENERAL SECRETARY BREZHNEV. HE MADE IT VERY CLEAR TO ME THAT HIS NATION REMAINS DEDICATED TO DETENTE, AND I ASSURED HIM THAT OUR NATION IS EQUALLY COMMITTED.

IMPROVEMENTS IN AMERICAN AND SOVIET RELATIONS IS BUT ONE EXAMPLE OF PROGRESS TOWARD A MORE PEACEFUL WORLD IN RECENT YEARS. IN EUROPE, A TREATY HAS BEEN SIGNED WHICH PROTECTS THE FUTURE OF BERLIN, ONCE THE POWDERKEG OF THE WORLD. IN THE MIDDLE EAST, TROOPS HAVE BEEN PULLED BACK FROM THE BORDERS OF ISRAEL ON BOTH THE SYRIAN AND EGYPTIAN FRONTS AND DESPITE RECENT SETBACKS, THE PROCESS OF FINDING A PEACEFUL SOLUTION IS CONTINUING. AND IN ASIA, THE UNITED STATES AND PEOPLE'S REPUBLIC OF CHINA HAVE DISMANTLED THE WALL THAT DIVIDED THEM FOR A QUARTER OF A CENTURY.

SOME OBSERVERS HAVE CONCLUDED THAT BECAUSE OF EVENTS IN SOUTH EAST ASIA IN RECENT WEEKS, THE UNITED STATES IS IN THE PROCESS OF WITHDRAWING FROM ASIA AND TURNING OUR BACKS ON OUR ALLIES. THERE ARE, INDEED, THOSE IN THE UNITED STATES TODAY WHO WOULD HAVE US RETURN TO A POLICY OF NEO-ISOLATIONISM. BUT LET ME TELL YOU TONIGHT THAT THEY ARE A DISTINCT MINORITY. THE VAST MAJORITY OF AMERICANS WANT AMERICA TO REMAIN INVOLVED IN WORLD AFFAIRS BECAUSE THEY BELIEVE -- AS I HOPE YOU BELIEVE--THAT ACTIVE AMERICAN PARTICIPATION IN WORLD AFFAIRS IS OUR BEST GUARANTEE

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FOR PEACE.

EIGHT DAYS AGO, PRESIDENT FORD ADDRESSED THE AMERICAN CONGRESS
IN A WAY THAT EXPRESSES OUR POLICY WELL:

"LET NO POTENTIAL ADVERSARY BELIEVE THAT OUR DIFFICULTIES OR

OUR DEBATES MEAN A SLACKENING OF OUR WILL," HE SAID.

"WE WILL STAND BY OUR FRIENDS."

"WE WILL HONOR OUR COMMITMENTS."

"WE WILL UPHOLD OUR COUNTRY'S PRINCIPLES."

I TRUST THAT MESSAGE WAS CLEARLY RECEIVED IN EVERY CAPITAL IN
THE WORLD BECAUSE IT IS THE CORNERSTONE OF AMERICAN FOREIGN
POLICY.

LADIES AND GENTLEMEN: LET ME CLOSE WITH THIS THOUGHT I KNOW
THAT FROM YOUR PERSPECTIVE, YOU HAVE HEARD A GREAT DEAL OF RHETORIC
IN YEARS PAST ABOUT RELATIONS BETWEEN INDIAN AND THE UNITED
STATES. YOU ARE MORE INTERESTED NOW IN ACTION THAN IN WORDS. WE
IN AMERICA FEEL MUCH THE SAME WAY. WE WANT ACTION, AND WE WOULD
LIKE CONCRETE PROGRESS.

YET, IN RECENT YEARS, TOO MUCH HAS BEEN SAID TO POISON THE
FRIENDSHIP BETWEEN US. WE HAVE ALLOWED OUR DIFFERENCES TO OVER-
SHADOW OUR COMMON INTERESTS. LET US HAVE ACTION -- LET US MOVE
AHEAD, AS SWIFTLY AS WE CAN -- BUT AT THE SAME TIME, AS I HAVE
STRESSED TONIGHT, LET US ALSO REMEMBER THAT WE SHARE MANY OF
THE SAME GOALS -- EXPANDING TRADE, OVERCOMING THE CHALLENGE
OF HIGHER ENERGY PRICESBN ENSURING ADEQUATE LEVELS OF ECONOMIC
ASSISTANCE, AND PRESERVING PEACE AND FREEDOM. IN THE DAYS AND
YEARS AHEAD, LET US NEVER LOSE SIGHT OF THESE MUTUAL INTERESTS
BUT INSTEAD MAKE THEM THE FOUNDATION OF A COMMON EFFORT TO GIVE
OUR CHILDREN A WORLD THAT IS SECURE FROM HUNGER AND WAR.

THANK YOU. UNQUOTE.SAXBE

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